

## Department of Planning and Budget 2007 Fiscal Impact Statement

1. **Bill Number** HB2699

**House of Origin**     Introduced     Substitute     Engrossed

**Second House**     In Committee     Substitute     Enrolled

2. **Patron**        Hugo

3. **Committee**    House Finance

4. **Title**            Sales and use tax; dedicate portion of state's general fund share to WMATA.

5. **Summary/Purpose:** The proposed legislation would require that, from the Commonwealth's current share of the state sales and use tax, an amount equivalent to the revenue generated by a 0.25 percent sales and use tax on sales from the Counties of Arlington and Fairfax and the Cities of Alexandria, Fairfax, and Falls Church shall be dedicated for use by the Washington Metropolitan Area Transit Authority (WMATA), as may be provided by federal law for the payment of certain federal funds to WMATA and only at such time as the federal law is enacted.

6. **Fiscal Impact Estimates are:** Preliminary.

<i>General Fund</i>	
<i>Fiscal Year</i>	<i>Amount</i>
FY 2008	(\$63,000,000)
FY 2009	(\$66,600,000)
FY 2010	(\$70,200,000)
FY 2011	(\$73,500,000)
FY 2012	(\$76,500,000)
FY 2013	(\$79,600,000)

<i>Nongeneral Fund</i>	
<i>Fiscal Year</i>	<i>Amount</i>
FY 2008	\$63,000,000
FY 2009	\$66,600,000
FY 2010	\$70,200,000
FY 2011	\$73,500,000
FY 2012	\$76,500,000
FY 2013	\$79,600,000

7. **Budget amendment necessary:** Yes. The reduction in general fund revenues would likely require there be significant reductions in general fund appropriations for some programs or some agencies in FY 2008.

8. **Fiscal implications:** This bill would not increase the current sales tax rate, but would provide that beginning on July 1, 2007, if required by federal law for the payment of certain

matching funds to the Washington Metropolitan Area Transit Authority, an amount of state sales tax revenue equal to a 0.25 percent sales and use tax from sales generated in the counties of Arlington and Fairfax, and the cities Alexandria, Fairfax, and Falls Church, be deposited into the Washington Metropolitan Area Transit Authority Matching Fund. The amount of the sales and use tax currently supports the general fund. Revenues from this Fund would be distributed to the Washington Metropolitan Area Transit Authority as may be required under federal law.

The proposed legislation is in response to proposed federal legislation which designates \$150 million annually for the next 10 years to WMATA, pursuant to the establishment by Virginia, Maryland and the District of Columbia of a dedicated state or local funding source for the cost of operating and maintaining the transit system. The federal bill, introduced by Representative Tom Davis, passed the House of Representatives, but failed to clear the Senate before the 109<sup>th</sup> Congress adjourned. Representative Davis has reintroduced the bill the 110<sup>th</sup> Congress.

The pending federal legislation would require Virginia to contribute \$50 million to WMATA in order for the Authority to receive the \$150 million in federal funds. Revenue estimates prepared by the Department of Taxation show the proceeds generated through this legislation may exceed the amount needed for the federal match. The proposed legislation does not provide direction for the use of any funds that remain in the matching fund that is in excess of the amount required for matching the federal funds.

**9. Specific agency or political subdivisions affected:** Agencies supported by the general fund, Washington Metropolitan Area Transit Authority, Arlington County, Fairfax County, the City of Alexandria, the City of Fairfax, and the City of Falls Church

**10. Technical amendment necessary:** None.

**11. Other comments:** Numerous bills in the House of Delegates and the Senate of Virginia identify funding sources for WMATA in response to the pending federal legislation.

**Date:** 01/23/07 / smc

**Document:** F:\SMC\GA\FIS 2007\HB2548.Doc

cc: Secretary of Finance

Secretary of Transportation